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	2. USSR OFFI	ERS MILITARY AIRCRAFT TO URUGU	AY
5X1A			
		The Soviet minister to Uruguay week offered to supply Uruguay any type of military aircraft do 'from trainers to jets,'	with
		Payment may	e made
	sired.	rency, surplus agricultural products, o believes that acceptance is re although Uruguay has a serious shortag ainers.	mote at
	States. The ing all proc return 'all the two cou	Uruguay's small air force appa no need for additional combat of trainers have been requested from the ne USSR, in January, expressed an inte ducts of the Uruguayan economy' and pa the products Uruguay needs.' Negotian intries for a new trade agreement have ntevideo since last December.	olanes, but United rest in ''buy- coviding in ions betweer
	but there has a offer has a arms of oth	In February, the USSR reporters to Argentina for wheat or agricultural as been no indication of a firm committed roused little Argentine interest. The Under types to Ecuador last December, by neurred in by ORR)	al products, ment, and the JSSR offered
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25X1 25X1

3.	NORTH	KOREA	ANNOUNCES	PROSPECTIVE
	TROOP	REDUC'	TION	

25X1A	The North Korean regime announced on 31 May that its armed forces will be reduced by 80,000 men by 30 August 1956. No other Communist regime has announced troop cuts since Moscow said it would reduce its forces by 1,200,000 men. This statement is part of the regime's effort to persuade other Asian nations to accept the view that forces in South Korea can be reduced without danger of an attack. The Communists may also hope to pave the way for a rapprochement with anti-Rhee South Koreans.	25X1
	In the event these men are demobilized, they would provide a considerable addition of manpower to help solve North Korea's severe labor shortage. (Concurred in by ORR) 25X1A	_

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4. LAOS PREMIER INVITED TO VISIT COMMUNIST CHINA

	4. LAOS PREM	HEIL HALLED TO ABIL COMMOND				
25X1A	to go. He in has little do	Laotian premier Souvanna Phouformed the American charge in on 29 May that he had received, Delhi, an invitation from Choug. The premier is obviously flattered indicated that if the trip developed—and the ubt but that it will—it would take place or and might include a stop in Hanoi.	Vientiane via New En-lai to and eager the chargé			
	Souvanna assured the chargé that he was aware of the dangers of accepting any economic aid that might be extended by Peiping, and stated that he would not permit Chinese technicians to enter Laos or allow his country to be "Communized." He indicated, however, that he was amenable to a "good-will" offer of money or goods, in return for continued nonalignment with SEATO.					
	Comment that was lau Laos.	This invitation is intended to gi punch to the Communist propag inched early this year with the object o	anda campaign			
	provinces, return for a nections wi into Laotian nist propos Pathet Lao, tlement. If	The Communists hope to arrangement will regain control over the dismow held by the Communist-controlled guarantees that Laos will renounce any the the West and permit "reintegration" a society. Souvanna is attracted by the als. He plans to meet his half-brother, later in June in the hope of achieving agreement is reached, a major obstact thereby be removed.	puted northern Pathet Lao, in military con- of the Pathets recent Commu- leader of the a "private" set-			
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	I Suite 00	25X1A	- 1 0 * -			

5. COUP BY ANTI-SIHANOUK FACTION IN CAMBODIA RUMORED

	CAMBODIA RUMORD
•	25X1A
25X1	A Cambodian army clique, composed of influential leaders, is plotting to install General Tioulong, now ambassador to Japan, as dictator of Cambodia, according to rumors reaching the American army attache in Phnom Penh. The queen, who is more influential than the king, is reported backing the plot.
	The attaché comments that there is 'no factual confirmation' of an impending coup, but notes that Tioulong is a personal enemy of Sihanouk as well as a 'strongman type' who believes Cambodia needs a dictatorship instead of a Sihanouk-style 'democracy.'
	Comment Colonel Dap Chhuon, a powerful provincial commander who is reported to be implicated in the plot, has frequently criticized Sihanouk's neutralist policies and recently reiterated to Ambassador McClintock his determination to "take action" if Sihanouk persisted in being a "Communist dupe." Other leaders of the plot, including the defense minister and army chief of staff as well as the palace, are reported to have indicated concern over the possible consequences of Cambodia's present foreign policies.
	Sihanouk, who has the support of strong political groups, is presently on an extended tour of Europe which is to include visits to Moscow, Warsaw and Prague. 25X1A
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6. SYRIA REPORTED ABOUT TO RECOGNIZE COMMUNIST CHINA

COMMUNI	ST CHINA	
25X1A		
	Syrian newspapers quoting an 'offi source' have stated that the Syrian ernment has decided to recognize munist China. The official annour will be made after Syria's leaders return f visit to Jordan which began on 29 May.	n gov- Com- icement
Comment to be the fi	There is no official confirmation of press reports. Syria is, however irst Arab state to follow Egypt's lead.	
was enthus officials.	Egyptian recognition of Communissiastically greeted by the public and by man	
	23/1/4	
	·	
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	25X1A	

7. HUNGARY AND YUGOSLAVIA SETTLE FINANCIAL CLAIMS

25X1A

The Hungarian-Yugoslav agreement of 29 May to settle outstanding Yugoslav financial claims removes a major block to improved relations between the two countries. According to the Yugoslav press, this opens

the way for a substantial expansion of economic ties and trade and also "co-operation in other fields."

The basis for settlement of these claims, which have been the subject of negotiation for about nine months, was presumably proposed by Hungarian party leader Rakosi, who is believed to have been under considerable Soviet pressure to foster a Hungarian-Yugoslav rapprochement. Because of Hungary's serious trade imbalance with the non-Communist world and the Soviet Union, Moscow may have had to assure Budapest of some form of aid.

The agreement calls for Hungarian capital and consumer goods in the amount of \$85,000,000 to be delivered to Yugoslavia in equal installments during the next five years. Yugoslav claims formerly totaled \$120,000,000 plus an unspecified amount of Yugoslavia's loss of trade after the 1948 break. The Hungarians acknowledged that the \$85,000,000 was only "two thirds" of their debt and cited the agreement as proof of Yugoslavia's good will.

All economic claims presently in dispute between Yugoslavia and the Soviet bloc have now been settled.

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	ID MEXICO IRRITATED WITH PRI TS' MEETING IN PANAMA	EPARATIONS			
	The chief of the American see Argentine Foreign Ministry be the presidents' meeting in Pa been badly prepared and that derstanding at the diplomatic have been reached before for were sent out by Panama, acc American embassy in Buenos	elieves that nama has previous un- level should mal invitations cording to the			
had not been co	Meanwhile, Mexico's acting for an ambassador to Mexico that his insulted about the program for the I other governments had been, he wosition.	government Panama meet-			
Comment	To date, neither the Argentine can president has accepted the invitation.	e nor the Mexi- ne Panamanian			
formally sugges ing is to be par 130th anniversa	The unprecedented meeting of erican republics now scheduled for sted by the Panamanians in early is tof the commemorative ceremonicary of the Congress of Panama, whave been the first step in inter-An	r 25-26 June was May. The meet- es honoring the nich is generally			
No previous discussion of a meeting of the presidents had been held in the Organization of American States, although a Mexican proposal for a meeting of OAS delegates in Panama had been under consideration for several months.					
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THE ARAB-ISRAELI SITUATION (Information as of 1700, 31 May)

25V4	The Iraqi ambassador to Egypt told Ambassador Byroade on 29 May that he was almost certain that Egypt had made an additional arms deal with Czechoslovakia "within the last few days" and that it involved mostly aircraft. Byroade commented that this would fit with reports that Nasr has been "fretting" that the MIG-15's were not a match for the Mystere IV's sold to Israel and that he was getting MIG-17's. Byroade added that Nasr reportedly said that for every plane he heard of being provided Israel he would obtain four for Egypt.				
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BIWEEKLY SUMMARY 17-31 May 1956

THE TAIWAN STRAIT

Report of the IAC Current Intelligence Group for the Taiwan Strait Problem

There were	no significant	developments	in the	area
during the period.				
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